TELLS THE FACTS AND NAMES THE NAMES

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Intellectual on the Make

By Alexander Cockburn

Fareed Zakaria, *The Post-American World*. W.W. Norton, 2008: 292 pp.

Fareed Zakaria works for the *Washington Post* empire, controlled by the Graham family. His current roost is as editor of *Newsweek International*, with which credential he appears regularly on panels, dispensing wisdom and prophesy about the shape of the world. Zakaria has what economists would call the comparative advantage in the cutthroat world of think-tank "policy formation" of being a youngish Indian transplant, thus putatively better attuned than U.S.-born palefaces to describe what he calls "the post-American world."

Zakaria's global assessment goes as follows: Americans should stop feeling so gloomy and fearful. By broad historical standards, they live in a peaceful era. The problem of "terrorism" is vastly overblown: al Qaeda and the antics of "rogue states" are minor perturbations amid steadily increasing world prosperity, induced by globalization and free trade. Realism is the antidote to panic and, if rational, Americans should accept that the nation's economic and hence strategic dominance in world affairs is over. China and India, endowed with vast territory and huge populations, are the new heroes of this next chapter. America should discard the vestments of imperial arrogance and self-centered ignorance about the rest of the planet. Its prime problem is political gridlock, which prevents enduring problems – which Zakaria fleetingly identifies as "health care, Social Security, tax reform" – from being addressed in a spirit of bipartisanship.

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No Newspaper has run the headline, "Bush to American Drivers and Suburbanites: Drop Dead."

How Bush has Pushed up Oil Prices

By Michael Hudson

The American people are being misled about the cause of soaring oil prices, and deceived about how easily the Bush administration could cut the oil price in half simply by following the policy that Bush Sr. did at the outset of the First Iraq War.

First, with regard to the oil price hikes, I find it amazing that the media are not connecting the rise in oil prices with the Iraq War (which was supposed to lower them, not raise them) and to the contribution of U.S. overseas military spending to the balance-of-payments deficit, and hence to the plunging dollar on world markets. Instead, the media have blamed the foreigner – and, specifically, increased consumption from China, India and other economies that have taken off by rejecting the IMF and World Bank "Washington Consensus" that has stifled more U.S.-centered economies with neoliberal anti-labor policies.

Let us listen to how OPEC leaders explain their policy. Last November in Riyadh, Saudia Arabia, an OPEC summit released an announcement that "it would study further the effect of the falling U.S. dollar on its economies following calls for it to price oil in currencies other than the greenback." Oil jumped to $95 a barrel. In April, Algeria's energy chief Chakib Khelil warned, "Each time the dollar falls 1 per cent, the price of the barrel rises by $4 and of course vice versa." If the dollar continued to decline at the present rate, he pointed out, oil prices might well rise to $200 a barrel. In June, this formula was still being used when oil passed $145 a barrel. OPEC spokesmen explained that the raise was intended to enable OPEC countries to keep their hard-currency oil receipts stable.

The dollar's plunge against the euro and sterling means that Europeans do not have to suffer anywhere near the price rise that U.S. consumers are paying. (To be sure, they have much higher fuel taxes to encourage more conservation. But this has led them to need much less oil per capita.) The Federal Reserve has held U.S. interest rates at only 2 per cent in order to help prevent a financial meltdown of the banking system and the mortgage market. It, thus, has put bailing out U.S. financial institutions and markets above the objective of stabilizing the dollar in the old-fashioned way of raising interest rates. So, the dollar continues to fall. Economists are now discussing the prospects of an exchange rate of $2 for the euro (presently $1.60) and even $3 a euro. If you do the math, you'll see that the latter translates into about $16 a gallon gasoline at the pump, if OPEC's pricing strategy is followed.

Even before the dollar continues on its plunge toward these levels, an attack on Iran would have an equivalent effect by throwing the Middle Eastern oil-producing and shipping region into turmoil. U.S. consumers would be squeezed, but the U.S. oil majors would end up the world's richest companies from this windfall.

Most amazing of all, however, is the media's silence with regard to how the Bush administration has been pushing oil prices up by its purchases for the Naval Petroleum Reserve. When Bush Sr. waged his attack on Iraq, oil prices hardly moved. The reason was simple supply and demand: Bush Sr's administration

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which might actually discomfit his core audience of corporate titans clustering at Aspen, Davos, or Ditchley and kindred watering holes, not to mention employers – current or prospective – in the communications industry, think tanks, or the apparat of "national security." History rattles by at the brisk clip of a TV documentary, trundling its usual cargo of clichés. "It was not the Great Depression that brought Hitler to power in Germany, but rather hyperinflation, which destroyed the middle class by making its savings worthless." Actually, the hyperinflation of 1923 stimulated the German economy by wiping out savings, thus accelerating consumption. In contrast to the bouncing Weimar economy (between 1923 and 1929, it was the third most vibrant in the world after the U.S. and Canada), Britain limped its way through the 1920s, shackled by a return to the gold standard and an overvalued pound. What brought Hitler to power was deflation, falling prices and an unemployment rate of 40 per cent.

The error is telling, because it presages Zakaria's mythmaking – so agreeable to the above-mentioned titans and employers – that the neoliberal precepts, which became dominant in the 1970s, have been an unqualified success. Anything that might slow down or inhibit "market forces" or "market driven industrialization" elicits a reproving finger wag from Zakaria, nowhere more so than in his chapter on India, a paean to the "reforms" that began in the 1990s. Zakaria does acknowledge that there are still a great many desperately poor people in India, but "even if the picture of an India of poverty and disease is the familiar India, the moving picture is more telling than the snapshot. India is changing. Mass poverty persists, but the new economic vigor is stirring things up everywhere."

Zakaria's book never strays into the perilous embrace of an original idea, which might actually discomfit his core audience of corporate titans, employers – current or prospective – in the communications industry, think tanks, or the "national security" apparat.

Of about 1.13 billion Indians, 836 million live on less than 50 cents a day, and for many of them, the era of "reforms" has worsened their condition. In 2007, the same year India's billionaire rating went to 4, behind the U.S., Germany and Russia, the country slipped from 126 to 128 in the "human development index" set by the U.N. Zakaria devotes many paragraphs to what he claims to have been the failed Nehru model of quasi-socialist state supervision. But economic advance benefited the many, not the few. As an Indian cabinet minister, Mani Shankar Aiyar, wrote last year, in the pre-"reform" era "the growth of that abstraction called 'the economy' might have been sluggish but the exponential rise in the welfare of the poor was spectacular."

Though he manages a quick mention of subprime mortgages, presumably squeezed in at the last minute, Zakaria wrote this book before the economic agitations that have prompted George Soros and Alan Greenspan to declare that the U.S.A. is facing the greatest economic crisis since the Depression. Panglossian cantatas to market forces are no longer in vogue, or are now set in the more speculative mode of "hope," touted by Barack Obama. So, Zakaria's book has a slightly dated feel, even if there are corrections in political outlook from the Bush years, such as the demure footnote on page 223 conceding that the author was wrong in his full-throated support of the attack on Iraq, an enterprise for which he now concedes "the costs have been ruinously high." Though, he doesn't prudently doesn't metnion it, in the pre-war phase, Zakaria was part of an informal, unpublicized group of hawks advising Defense Secretary Donald Rumsfeld.

If Zakaria wants to reposition himself for the new era, he will have to go far beyond the usual mantras about "reforming" Medicare and Social Security, which many beleaguered Americans see as the frail guard rails preventing them from sliding into utter destitution in their later years. In the U.S.A., as in France and Spain and India, life is getting harder for most people, albeit more flush for the thin tier at the top. Former U.S. treasury secretary, Lawrence Summers, recently reversed the famous 1953 dictum, "what's good for General Motors is good for the country," admitting that there was "a growing recognition by workers that what was good for the global economy and its business champions was not necessarily good for them".

We've been through thirty years of onslaughts here, in the U.S., on the living standards of working people. This decline has been the consequence of political choices of the sort promoted by Zakaria's core constituency. For this constituency, talk about the need to strengthen the negotiating power and hence the living standards and purchasing power of working people through unions or progressive political movements is as subversive as it was fifty years ago, which is why Zakaria steers firmly clear of any new idea. Genuinely new ideas can be very dangerous. **CP**

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For the remainder of the summer you'll receive one July issue and one August issue before we resume the regular schedule of two a month in September.

CounterPunch

EDITORS
Alexander Cockburn
Jeffrey St. Clair

ASSISTANT EDITOR
Alevtina Rea

BUSINESS
Becky Grant
Deva Wheeler

DESIGN
Tiffany Wardle

COUNSELOR
Ben Sonnenberg

CounterPunch
PO Box 228
Petrolia, CA 95558
1-800-840-3683
counterpunch@counterpunch.org
www.counterpunch.org